9/24/01 BUSWK 135
9/24/01 Bus. Wk. 1352001 WL 26534764
(Publication page references are not available for this document.)

BusinessWeek
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Monday, September 24, 2001

Number 3750

BusinessWeek Investor: Inside Wall Street

WILL 'SAFER' SMOKES LIGHT UP LIGGETT?

By Gene G. Marcial

In two weeks, smokers will get a chance to try a cigarette with reduced carcinogens, its makers claim. Vector Group (VRG), which owns cigarette maker Liggett Group, will be producing 20 million Omni cigarettes a day to launch the product nationwide. By the end of 2001, Vector's Durham (N.C.) plant will have rolled 1.5 billion cigarettes, worth about $200 million in sales. When this column first mentioned Vector in May, it was trading at 33. It's now at 42.

One big bull on Vector is financier Carl Icahn: He is convinced that Omni, along with Omni Nicotine Free--a version to be introduced in January--will light a fire under Vector's earnings. Icahn, who has raised his stake in Vector from 16% to 21.5%, says Vector will soon be providing big increases to its bottom line. The Omni Nicotine Free cigarettes use patented genetically altered tobacco seedlings that block out nicotine. Icahn believes the two new brands should snag 1% of the market in the first year. It could triple or double thereafter, he adds.

Vector Chairman and CEO Bennett LeBow says the company will seek approval from the Food & Drug Administration to market Omni as a "safe" product. The ads launching Omni won't make health claims, just say it has "reduced carcinogens"--referring, of course, to the lung-cancer risk. The Omni cigarettes, he says, look and taste just like premium-quality cigarettes. Donald Trott of Jefferies, who rates the stock a buy, sees Vector earning 88 cents a share in 2001 and $3.30 in 2002.

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Illustration: Char: BURNING HOTTER CHARTS BY ERIC HOFFMANN/BW

---- INDEX REFERENCES ----

COMPANY (TICKER): Vector Group Ltd. (VGR)

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PM3001143391

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